

Building a Reservoir of Trust

by Ken Young C.C.P., C.C.P. Emeritus.

Making a decision solely on financial disclosure is like looking at a Rembrandt with only a couple of primary colors on the canvas. There is much more to the decision than financial disclosure alone. Developing healthy, business relationships built on trust and mutual respect is an important aspect of credit management. I recall meeting with a customer in Chicago who had just created a start-up entity. The owner had been CFO with a firm that had gone out of business recently.

After dialoging with the customer for a while, he provided access to their opening balance sheet and spent a considerable length of time sharing their business plan. The value achieved in this meeting was the fact that we were the first major supplier to extend credit, which the customer never forgot.

Another significant aspect was the fact that we took the time to meet him personally and tour the facilities. A genuine and trusting business partnership was forever established. Visualization of the operation in so many lines of business adds a unique and invaluable dimension.

The credit line and terms that were initially established were adequate to get the firm purchasing their requirements of our product line from us. However these credit aspects (credit availability and terms) would still need to be reviewed in a matter of months, once a historical payment pattern and actual business results were established. This allowed us to keep a close watch on the company as it was progressing, keep the credit reins tight initially, and secure significant business volume in a geographical marketplace that we did not have high volumes from previously.

Over many years it was very pleasing to see the client grow to have a very significant presence in the geographical marketplace as well as the industry overall. We don't always bat 100% in credit granting, but it is rewarding when you can look back and see the impact that was made due in large part to trusting business relationships. These partnerships, once established, can produce very substantial volume growth, profitability and shareholder value for both parties.

There is a story told of Jerry Rice – one of the best wide receivers in history in the NFL. When he was asked why he attended Mississippi State University when a very well-known college (UCLA) had been recruiting him, his answer was they were the only college to come to his house and pay a personal visit. They showed in a personal way that they cared. It is the same with customers, as so many of them are proud of their business and appreciate the time suppliers take to come to their premises and meet them.

Face to face meetings offer significant and intangible interactions that go way beyond words. These meetings are more likely to result in agreement and collaboration.

Customer visits for some companies are a road less travelled; however, depending on the volume, profitability and growth potential, it is a road that cannot be ignored if a complete picture of the risk elements versus reward is to be painted.

If customer visits are not possible, it is still very worthwhile to cultivate customer relationships – although they are not as effective as in a face to face setting – in order to more fully understand and to capture the upside of risk.

Mark Cuban once said, “The NBA (National Basketball Association) is never just a business. It’s always business. It’s always personal. All good businesses are personal. The best businesses are very personal.”

Developing and maintaining customer relationships that are built on trust are of prime importance in significantly impacting your firm’s revenue growth, profitability, and shareholder value in achieving corporate and personal success.

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Ken has been a credit management professional for over twenty-five years and has global experience in a broad range of industries including the food (aquaculture and beverage), chemical, manufacturing and transportation sectors. Most recently he was the Credit & Collection Manager at Pepsi Bottling Group in Canada.

Ken has delivered a successful series of keynote addresses on credit in Kingston and Montego Bay Jamaica. He was also a part of a small team that designed and implemented enhanced strategies for the collections department of a large firm in Indonesia. He has served on numerous boards, including the Credit Institute of Canada, the National Credit & Financial Executives' Forum, the Raw Material Credit Group and the International Center for Professional Collectors.

He has been awarded the highly esteemed CCP Emeritus award from the Credit Institute of Canada for distinguished and meritorious service for the advancement of credit education and the credit profession.

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